

Message Text

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E.O. 11652: GDS

TAGS: PINT, FI

SUBJECT: MIETTUNEN GOVERNMENT OVERCOMES INTERNAL BUDGET CONFLICT

HURDLE

REF: HELSINKI 2723

SUMMARY: MIETTUNEN GOVERNMENT ON DECEMBER 29 GAINED A NEW
LEASE ON LIFE WHEN ALL FIVE PARTIES IN THE COALITION AGREED
TO COMPROMISE SOLUTION OF BUDGET CONFLICT BROUGHT ON BY
COMMUNISTS. HAVING OVERCOME ITS FIRST BIG HURDLE, MIETTUNEN
GOVERNMENT STILL FACES DIFFICULT DECISIONS IN JANUARY
RELATED TO GOVERNMENT PROGRAM, SPECIAL EMPLOYMENT BUDGET
AND ITS FINANCING, AND GENERAL INCOMES POLICY SETTLEMENT.
EACH OF THESE WILL TEST MIETTUNEN'S SKILLS AND SINCERITY
OF COMMUNIST PARTICIPATION IN GOVERNMENT, BUT EXPECTATION
IS THAT GOVERNMENT WILL MUDDLE THROUGH AT LEAST UNTIL
END OF JANUARY. PRESENT COMPROMISE SETTLEMENT CONSIDERED
STAND-OFF, WITH COMMUNISTS GETTING PART OF THEIR
DEMANDS THROUGH BUT HAVING TO SUBSCRIBE TO GOVERNMENT
DISCIPLINE. END SUMMARY.

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1. PRIME MINISTER MARTTI MIETTUNEN DECEMBER 29 PRESENTED THE FIVE PARTIES MAKING UP HIS GOVERNMENT WITH COMPROMISE SOLUTION TO BUDGET CONFLICT WHICH HAD ARISEN FROM COMMUNIST OPPOSITION TO PROPOSED ONE-TIME AUTOMOBILE "USER" TAX AND INCREASES DURING 1976 IN GASOLINE AND DIESEL TAXES. COMPROMISE PROPOSAL WORKED OUT BY MIETTUNEN (CENTER PARTY), FOREIGN MINISTER SORSA (SOCIAL DEMOCRATIC PARTY CHAIRMAN), AND FINANCE MINISTER PAAVELA (SOCIAL DEMOCRAT). PROPOSAL ACCEPTED BY ALL NON-COMMUNIST GOVERNMENT PARTNERS UNANIMOUSLY, AND BY COMMUNISTS AFTER VOTE IN BOTH FCP POLITBURO AND PARLIAMENTARY GROUP - VOTES WHICH LEFT COMMUNISTS SPLIT AS USUAL INTO TWO, WITH STALINIST FACTION FIRMLY AND OPENLY OPPOSED TO COMPROMISE.

2. COMPROMISE IS CONSIDERED STAND-OFF. NON-COMMUNIST GOVERNMENT PARTNERS DID NOT GIVE AN INCH ON INCREASES IN GASOLINE AND DIESEL TAXES AND HELD BUDGET WITHIN PROPOSED OVER-ALL LIMIT. ON ONE-TIME AUTOMOBILE "USER" TAX, NON-COMMUNISTS GAVE COMMUNISTS FACE-SAVING OUT BY LOWERING AMOUNT FOR SMALLEST CARS. THIS CREATED A FORTY-FIVE MILLION FINNMARK SHORTFALL IN EXPECTED HUNDRED FIFTY MILLION MARK REVENUE INTAKE, WHICH WILL BE MADE UP THROUGH INCREASES IN GOVERNMENT STAMP FEES, AND BY RAISING PRICE OF PASSPORTS AND DRIVERS LICENSES. THUS, MIETTUNEN GOVERNMENT ACCEPTED NEITHER OF COMMUNIST DEMANDS (THAT RICH SHOULD BE SOAKED OR DEFICIT BE MADE UP WITH LOANS) BUT AT SAME TIME AVOIDED CONFRONTATION THAT COULD HAVE LED TO COMMUNISTS LEAVING GOVERNMENT.

3. COMMUNISTS EXPLAINED THEIR BACKING DOWN FROM THEIR ADAMANT DEMANDS BY SAYING THAT THEY ON ONE HAND RECEIVED PART OF WHAT THEY HAD DEMANDED AND THAT ON OTHER HAND THEY CONSIDERED THAT REAL DIRECTION OF GOVERNMENT POLICY WOULD BE DETERMINED IN CONNECTION WITH GOVERNMENT PROGRAM AND SPECIAL EMPLOYMENT BUDGET WHICH WILL BE PREPARED DURING JANUARY. COMMUNISTS, HOWEVER, ALSO ISSUED THINLY VEILED THREAT OF COMING TROUBLES UNLESS THEIR VIEWS ARE ACCEPTED, AND DEMANDED THAT SUPPLEMENTARY BUDGET (EXPECTED IN FEBRUARY-MARCH) PROVIDING FUNDS FOR EMPLOYMENT MAINTENANCE MEASURES ALSO PROVIDE AND BIG CAPITAL AND THE CONFIDENTIAL

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RICH BE TAXED TO RAISE NECESSARY FUNDS.

4. COMMENT: PRESIDENT KEKKONEN'S ROLE UNCLEAR IN HELPING MIETTUNEN GOVERNMENT OVERCOME ITS FIRST BIG HURDLE. GOVERNMENT STILL FACES MANY VERY DIFFICULT DECISIONS IN JANUARY ON QUESTIONS CONCERNING ITS GENERAL PROGRAM, THE SPECIAL EMPLOYMENT BUDGET AND ITS FINANCING, AND THE NATIONWIDE INCOMES POLICY SETTLEMENT - TO WHICH

ARE TIED SOME THORNY AGRICULTURAL ISSUES. THERE WOULD BE
ENOUGH DISAGREEMENTS AND DIFFICULTIES ON THESE
MATTERS AMONG THE FOUR NON-COMMUNIST COALITION PARTNERS.
WITH THE COMMUNISTS HELPING TO STIR THE SOUP, THE POT
COULD BOIL OVER. EXPECTATION NOW IS, HOWEVER, THAT
MIETTUNEN GOVERNMENT WILL MANAGE TO MUDDLE THROUGH IN
ITS PRESENT COMPOSITION - INCLUDING THE COMMUNIST PARTY
MAJORITY FACTION - AT LEAST UNTIL END OF JANUARY.
HOUSTON

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